



## **MICHIGAN HOUSING COUNCIL**

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**Public Statement Before the  
Michigan State Housing Development Authority Information Forum  
Regarding the Michigan Qualified Allocation Plan**

**April 24, 2007**

Good Afternoon. My name is Jim Logue, and on behalf of the Michigan Housing Council (MHC), I want to thank the Michigan State Housing Development Authority (MSHDA) for convening the first of four public forums to discuss changes to the Qualified Allocation Plan (QAP).

The Michigan Housing Council is one of the oldest statewide associations of affordable housing professionals in the United States and represents owners, developers, managers, general contractors and subcontractors, architects, engineers, attorneys, financial groups, insurers, accountants, market analysts, tax credit syndicators, and other consultants, non-profits and businesses involved with Michigan's affordable housing industry. In fact, it's hard to imagine any group - in Michigan or in the country - that represents a greater cross section of the affordable housing industry than the MHC.

The importance of the Low Income Housing Tax Credit (LIHTC) program and the QAP to the affordable housing industry cannot be underestimated or overstated. The LIHTC is the single most important tool we have as an industry

to meet an ever growing demand for affordable housing in our state. And the QAP that will be the work product of this meeting and others like it in the coming weeks will shape not only what we do, but how we do it into the foreseeable future.

Although the MHC will make specific program recommendations at a later date, we would like to state for the record that we believe it is absolutely essential that there be two tax credit funding rounds in 2007 and a minimum of two funding rounds during any year governed by the new QAP. No one in this room needs to be reminded about the current economic conditions in Michigan. We read it in the newspapers. We see it on the evening news. And we see it in very real and human terms when we drive around the state and see communities like Lansing where manufacturing plants are being demolished and the industries that once supported those facilities are disappearing as well. The public benefit of the housing credit isn't limited to the rental units created by the program. We all know that to be true. The public benefit of the housing credit also lies in the jobs created, the increased demand on local services and retailers, and an expanded tax base for local communities as LIHTC developments come online. If a decision is made to delay the next tax credit funding round until March of 2008 as some have suggested, by default a decision will also have been made to delay the economic activity associated with these developments for a year or more. There are plenty of developments in the pipeline, and if we are to maximize and capture the true economic value of the LIHTC program at a time when we need it

the most, there must be a second tax credit funding round in 2007 and a minimum of two funding rounds in any future year governed by the new QAP.

We would also like to discuss this afternoon the core policy assumptions that have guided the LIHTC program and the development of the Michigan QAP during the past two decades. These assumptions are time-tested and have a proven track record for delivering tens of thousands of deeply targeted rental units into the Michigan marketplace while creating badly needed jobs and expanding the tax base in local communities. In our opinion, these core assumptions must be maintained in developing the next QAP if we are to preserve the entrepreneurial spirit that has made the Michigan LIHTC program and the Michigan QAP national models.

- **Consistency.** In historical terms, changes to the Michigan QAP have been measured and incremental. Sweeping changes to the QAP have been rare, and even in those instances where significant changes were made, such changes were phased in over time to accommodate the complexities of the development process. Although we believe changes to the current QAP are necessary, we do not believe, as some might suggest, that the current QAP must be substantially re-written. In our opinion, the groundwork for sweeping changes to the QAP has not been laid, nor has any data been presented that would suggest or justify such an action. The consistency of the QAP from year-to-year has been the strength of

the LIHTC program in Michigan. That consistency has fostered a stable environment in which affordable housing practitioners are able to plan and develop affordable housing, and it must be maintained as a core policy assumption of any new QAP.

- **Flexibility.** More than any other program administered by the MSHDA, the LIHTC program and the QAP rely on market forces to guide and shape the development process and LIHTC developments. Historically, MSHDA has limited its role to three activities – determining the financial viability of the proposed project, reviewing the rental market for the proposed development, and assuring that any environmental issues associated with the proposed development will be addressed. Project sponsors have been encouraged through the use of points and other incentives to deliver certain types of housing that meet particular housing needs. In the end, however, the type housing to be built is determined by local market conditions and local need. Although we believe changes to the financial, market and environmental reviews are necessary, the reliance on market forces, points and other incentives to guide and shape the development process must be maintained as a core policy assumption of any new QAP.
  
- **Deep Targeting.** In exchange for greater flexibility and less administrative oversight of the development process, the QAP has

encouraged - and market forces have demanded – that priority be given to projects that serve the lowest income households for the longest period of time. How deeply LIHTC rental units may be targeted is a matter of economics – income from the rents to be charged has to be greater than or equal to the expenses of the project. MHC recognizes and supports helping those most in need. Our track record and the generosity of our members in this regard speak for themselves. We also understand, however, that without additional resources like Medicaid waivers or project-based vouchers or even the proposed and unfunded Housing and Community Development Fund, there are practical limits on how deeply LIHTC units may be targeted. Historically, the QAP has recognized this simple dynamic and relied on the creativity of the private sector to structure transactions that serve the lowest income households possible within the financial constraints of available resources. The result has been truly remarkable. LIHTC developments are more deeply targeted and serve lower income households than similar developments in MSHDA's direct lending pipeline or the MSHDA portfolio. Although we support assisting households with the greatest need, we believe imposing further targeting requirements without the benefit of additional public resources is not justified and counter productive. We also believe that the core policy assumption to rely on points and other incentives – rather than on unfunded public mandates – to

encourage private sector creativity to deeply target LIHTC developments must be maintained as a core policy assumption of any new QAP.

- **Fairness.** The allocation process must be fair to all applicants and all types of housing production. Demand for the LIHTC continues to rise, and we have every reason to believe that MSHDA may receive more than 100 applications in the May 2007 funding round. Projects from all over the state will be competing, head-to-head, and each project and every project sponsor believes that his or her project represents the highest and best use of a scarce public resource. Excess demand for the housing credit is not new. In fact, the LIHTC has been oversubscribed since the early 1990s. Despite this fact, Michigan is one of a handful of states in the country that has not been sued for its administration of the LIHTC program because, successful or not, participants believe that the process to review and award the housing credit is fair and impartial. Although we believe changes to the allocation of process are necessary, we also believe that fairness and impartiality must be maintained as a core policy assumption of any new QAP.
- **Adequate Staffing.** Processing 200 to 250 tax credit applications annually – in addition to the other administrative tasks required by the program - requires a dedicated and competent staff.

Historically, MSHDA has devoted the resources necessary to assure that tax credit applications and other administrative matters are processed quickly and efficiently. LIHTC program staff members, as much as the QAP, have contributed to the success of the LIHTC program over the past 20 years. In the past year, however, MSHDA has added staff positions to nearly every program area but the tax credit program. In fact, one of the four tax credit analyst positions has been vacant since December of 2006 and most likely will not be filled in time to review applications in the May 2007 funding round. At the same time, MSHDA has created and fully staffed new administrative divisions responsible for economic development, urban development, supportive housing, and outreach to southeast Michigan. Although we do not question the need for such divisions to the extent programmatic resources are available to support them, we are concerned by the appearance that MSHDA staff resources are not being devoted to this vital program area and believe that the significance of the LIHTC program to MSHDA and to the industry requires the creation of a separate division to administer the LIHTC program. Adequate staffing levels for the LIHTC program must be maintained as a core policy assumption to support any new QAP.

This concludes my prepared remarks, and again, I want to thank you for the opportunity to share our preliminary thoughts regarding the development of

the new QAP. As I mentioned earlier, the MHC will be providing more detailed recommendations regarding these matters in the near future.

I also want to thank MSHDA for convening this informational forum so that we can hear the concerns of other affordable housing providers and practitioners who will also be a part of this process.

Unfortunately, there is one voice that is missing from this forum and all of the forums that have been planned to date. And that's the voice of MSHDA. Although it is vitally important for MSHDA to hear the concerns of affordable housing practitioners, it is critically important for affordable housing practitioners to hear from MSHDA; to understand what, if any, changes you may believe are necessary; and to understand the policy assumptions or data that you believe support such changes. This is not a new concern. In fact, changes were made to the current QAP on the assumption that future informational forums would include presentations from MSHDA staff on these matters but that has not happened.

The LIHTC program and the QAP are too important to the affordable housing industry, MSHDA, and the state of Michigan not to have a full and open discussion from all interested parties regarding these matters in this type of a setting rather than in the context of a 30-day public comment period. And we recommend that **prior to the initiation of any public comment period**, MSHDA



hold another series of forums so that we can hear from you and understand the reasons and the policy assumptions for the changes that you will be suggesting.

Thank you.